Washington State Department of
Financial Institutions

Consumer Services Division
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MORTGAGE BORROWER'S BILL OF RIGHTS

(WHAT YOU SHOULD KNOW BEFORE SIGNING)

Washington State law provides you, a potential borrower of funds secured by your residence, specific protections. This law is known as the Mortgage Broker Practices Act (chapter 19.146 revised code of Washington). This law protects you against certain misrepresentations and abusive practices. It does not protect you from every possible occurrence or from every possible mortgage broker or lender.

Types of transactions afforded protection:

1. Any mortgage origination with the intent of securing a lien position on a Washington resident's primary residence or second home of less than five units located in Washington State.

2. Any mortgage origination with the intent of securing a lien position on a Washington resident's investment residential property of less than five units located in Washington State when the proceeds of the mortgage loan are to be used primarily for personal, family, or household purposes.

Types of companies affected by the law:

Most mortgage brokers are subject to the law. However, depository institutions (such as banks and credit unions), insurance companies and consumer loan companies are generally exempt. These types of companies are governed by other state or federal laws.

Your rights and what you should expect:

Disclosures

Within three business days of giving application information to a mortgage broker, you must be provided with written documents that tell you most of the information you will need to know about the loan. These are:

1. A Good Faith Estimate (GFE) of closing costs. This document will detail the mortgage broker's "best guess" of the costs you will incur on a specific loan. If those costs change prior to closing, the mortgage broker must give you a new GFE three days before you sign closing papers clearly showing what costs are increasing. If you do not receive this redisclosure (and sometimes even if you do), the mortgage broker may be forced to give back certain amounts of the increased costs.

2. A Truth in Lending Disclosure Statement (TIL). This document will detail the cost of the credit you will undertake. You will be shown the annual percentage rate (APR) which takes into consideration many factors of the loan including the fees to be earned by the mortgage broker. The APR is generally higher than the rate you will pay on the loan because it factors in the costs you will pay at closing. Theoretically, you should be able to compare APRs from mortgage broker to mortgage broker to determine the best deal for you. The TIL will also tell you if the loan is an adjustable rate mortgage and whether the loan has a prepayment penalty.

3. A rate lock disclosure form. This form will tell you if you have locked your loan, and if you have, under what conditions the loan is locked. If your rate is "floating" and you later lock the rate, you must be given the terms and conditions of the locked rate.

4. A disclosure that any moneys given to the mortgage broker for the payment of services such as appraisal and credit report will be held safely in a trust account. **This is your money and should be returned to you if it is not used.** The mortgage broker cannot keep any of this money whatsoever and it is a crime to do so. You should never have to pay more than the actual cost of the service.

5. A disclosure that you have the right to transfer your appraisal, credit report and appraisal report that you have paid for to another lender or mortgage broker if you wish. You must tell the mortgage broker in writing and the mortgage broker must transfer the reports within five days. If you do not pay for these reports you have no right to them.

6. If the loan you apply for is an adjustable rate mortgage (ARM) or variable rate mortgage, the mortgage broker must provide you with a booklet about ARMs and specific disclosures of how your ARM will adjust.

What Should You Pay?

The law is designed to make sure that you know exactly how much the loan will cost you. It is not designed to put limits on that cost. In other words, the mortgage broker can charge as much as you "agree" to pay as long as you have been given adequate advance notice through disclosures (as discussed above).

Note: if you choose to cancel the loan, the mortgage broker can only charge you for his efforts in certain rare situations. This charge can never exceed $300. The mortgage broker can *never* file a lien against your property if you do not go through with the loan. If you have canceled a loan and the mortgage broker is attempting to charge you, always check with the Department of Financial Institutions about your rights and obligations.

What If You Rescind A Refinance Or Second Mortgage?

Under federal law you have three days after signing papers for a refinance or second mortgage on your ***primary residence*** to change your mind. If you do change your mind (this must be done in writing on the form provided to you at closing) you must be reimbursed the costs you have incurred in seeking the loan (generally appraisal fee, credit fee, etc.) and any lien on your residence must be released.

Additional Rights

1. You have the right to know if a mortgage broker is licensed and bonded (Call us at 360-902-8703 and we will tell you over the phone).

2. You have the right to stop doing business with any mortgage broker, any time, for any reason without any adverse repercussions (In rare cases where the loan is ready to close you may be subject to a $300 fee. Check with us.).

3. The mortgage broker is prohibited from misleading or deceiving you in any way or offering you products, rates or fees that do not exist.

4. You always have the right to know your costs, the rate, the type of loan and the loan amount within three days of your application date.

5. You have the right to sue a mortgage broker's bond if you have been damaged by a violation of the Mortgage Broker Practices Act. You also may have other legal means of recovering losses.

6. You have the right to file a complaint with the Department of Financial Institutions.

Some Of The Things To Watch For

1. You should never do business with a mortgage broker that is not licensed. Your ability to recover losses is limited in these situations. Companies that have avoided licensing cannot be trusted with your finances.

2. You should never do business with a mortgage broker that does not voluntarily provide you with all of the disclosures discussed above. A mortgage broker should always be ready, willing and able to answer your questions directly. A mortgage broker that will not answer questions, or provides very complicated or overly simplified answers may be trying to deceive you. A mortgage broker ***knows*** the costs, rates and loan amounts. If the mortgage broker does not – find one that does.

3. The "loan amount" is not the "amount financed." If you ask what the loan amount is, and you are told what the "amount financed" is, the mortgage broker is trying to deceive you. The "loan amount" is the amount you must repay to the lender and it will always exceed the "amount financed."

4. There are no magic products and few special loans that are not available to other lenders. Do not fall into the trap of believing your mortgage broker has the only answer or the only product. Loans are products being sold to you. Like grocery stores, most mortgage brokers carry the same products. Shop for your loan as you would a major purchase of any kind, but remember, the promise of an incredibly low price may be a deceptive tactic to get you to sign on the loan.

5. Trust only signed and dated promises. Oral contracts are no good in real estate transactions and are very difficult to prove later.

6. Mortgage brokers are not your "friends." They are profit motivated businesses. Legitimate businesses will treat you fairly, but they are not your "friends." Many deceptive practices are hidden in friendly conversations or promises of favors. Beware of the mortgage broker that takes an unusual interest in your family, church or personal life. Con artists and deceivers use these methods to gain your trust and take your money or property. Gauge the relationship with your mortgage broker against that of your banker, accountant, insurance agent, attorney or auto mechanic. Never forget that this is a business transaction.

7. Mortgage brokers have office locations. You should know where this is. Many deceptive acts are best perpetrated at your kitchen table where you feel comfortable and your guard is down. You should always consider conducting business in the mortgage broker's office. Not your home or a restaurant. You may not want some mortgage brokers to know where you live.

8. Be skeptical and trust your instincts. Many victims tell us that they "knew" or could "feel" that the person wasn't honest or the transaction couldn't be that good. Trust your first impressions. Trust written, signed documents. Do not trust words. We often find that one spouse will have a "feeling" before the other spouse. Trust your spouse's feelings.

9. Beware of telemarketers or mailings soliciting loans. Remember, you did not seek them out at their place of business as you would most professionals. They selected you for a reason. While there may be nothing illegitimate about the product being sold over the phone, you have likely been targeted for a reason. It may help to determine that reason. Ask how they got your name and number or address. Do not commit telephonically to anything unless you are very sure of what you are doing.

10. **If the deal is too good to be true, it is not true.** Businesses do not give away the shop. There are plenty of "fair" deals, but they don't get much better than that.

11. **Do not be intimidated. You have rights!**